

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 4/15/2011

GAIN Report Number: PK1104

Pakistan

Sugar Annual

Sugar Annual 2011

Approved By:

Joseph M Carroll

Prepared By:

M. Shafiq Ur Rehman

Report Highlights:

Pakistan's MY 2011/12 sugar production is forecast at 3.8 million metric tons (MMT), down 3 percent from the estimated 3.9 MMT produced in MY2010/11. MY 2011/12 sugar consumption is forecast at 4.3 MMT and imports at 600,000 tons. MY 2011/12 ending stocks are expected to rebound and are forecast at 730,000 MT.

Executive Summary:

Sugarcane is an important industrial and cash crop in Pakistan. Last year's historic floods supported the sugar cane crop, consequently Post's estimate of Pakistan's MY 2010/11 sugar production was increased (650,000 MT) to 3.9 MMT. Current year estimates are based on 80 percent crushing and 8.9 percent recovery. Pakistan's MY 2011/12 (Oct/Sept) total sugar production is forecast at 3.8 MMT, down 3 percent over the current year's estimate. Despite efforts to achieve self-sufficiency, Pakistan remains a net importer of sugar. In MY 2011/12 sugar imports are forecast at 600,000 tons. Sugar consumption in MY 2011/12 is forecast at 4.3 MMT. MY 2011/12 ending stocks are forecast at 730,000 MT.

Commodities:

Sugar, Centrifugal

Sugar Cane for Centrifugal

Production:

Sugarcane is an important industrial and cash crop in Pakistan. The country is the world's fifth largest producer of sugar cane in terms of acreage, and the 15th largest producer of sugar. In Pakistan, sugarcane is grown on around a million hectares and provides raw material for 84 sugar mills. The sugar industry is the country's second largest agro-industry after textiles. In addition to sugar, sugarcane is employed in the production of a number of other products such as: alcohol used by the pharmaceutical sector, ethanol for fuel, bagasse in paper, chip board manufacturing and press mud used as a rich source of organic matter and nutrients for crop production.

For MY 2010/11, (Oct/Sept) Pakistan's sugarcane production is estimated at 54 MMT, up 5 million tons over the estimated 49 MMT harvested in 2009. The 2010 cane crop actually benefitted from the historic floods which hit the country in 2010. Flooding was followed by favorable weather conditions which served to enhance cane production both in Punjab and Sindh provinces.

In MY 2011/12 sugarcane production is forecast at 52.8 MMT, a reduction of 2 percent over the current year due to a projected decline in area planted due to strong competition for acreage from high priced cotton and sunflower crops. Last year, farmers received record cotton prices and the forecast of higher cotton and sunflower prices in the coming year is likely to persuade farmers to substitute sugarcane with these crops. MY 2011/12 cane acreage is expected to decrease by 2 percent to 990 thousand hectares.

Table: Sugarcane Area and Production by Province

Province	Area ('000' hectares)			Production ('000' MT)		
	MY 2009/10	MY 2010/11	MY 2011/12	MY 2009/10	MY 2010/11	My 2011/12
Punjab	605	680	670	31,612	35,400	34,700
Sindh	234	230	225	13,000	13,900	13,500
NWFP	100	100	94	4,400	4,660	4,600

Baluchistan	1	1	1	38	40	40
Total	940	1,011	990	49,050	54,000	52,840

Sources: Ministry of Food and Agriculture and FAS/Islamabad

Production Policy

The Federal government generally does not procure sugarcane, but it authorizes provincial governments to fix respective sugarcane prices in consultation with representatives of both the sugar industry and farmer organizations. During the MY 2010/11 crushing season, the provincial Governments of Punjab and Khyber Pakhtunkhawah (KPK) announced a sugarcane procurement price of Rs. 125 per 40 Kg, whereas, Sindh announced a price of Rs. 127 per 40 Kg. According to trade sources, the industry procured sugar cane between the ranges of Rs. 160 to 190 per 40 Kg. Comparable prices last year were about Rs. 100/kg. (See table below.)

Table: Prices of Sugarcane by Province

(Rs. per 40 kg)

YEAR	PUNJAB	SINDH	NWFP	BALUCHISTAN
2000-01	35.00	36.00	35.00	36.00
2001-02	42.00	43.00	42.00	43.00
2002-03	40.00	43.00	42.00	43.00
2003-04	40.00	41.00	42.00	43.00
2004-05	40.00	43.00	42.00	43.00
2005-06	45.00	58.00	48.00	-
2006-07	60.00	67.00	48.00	-
2007-08	60.00	67.00	65.00	-
2008-09	80.00	81.00	65.00	-
2009-10	100	100	100	-
2010-11	125	127	125	-

SUGAR

Production

For MY 2011/12 refined sugar production is forecast at 3.8 MMT, 3 percent lower than the current year's estimate. Post's estimate of MY 2010/11 sugar production was revised upward (650,000 MT) to 3.9 MMT based on recovery of the crop following historic flooding in 2010. Despite efforts to achieve self-sufficiency, Pakistan remains a net importer of sugar. Domestic production is augmented by imports to bridge the gap in supply and demand supply. Industry's total sugar production capacity is 6.0 MMT in a season. At present, capacity utilization is estimated 60-70 percent depending upon sugarcane availability. Current year's estimates are based on 80 percent crushing and 8.9 percent sugar recovery rate.

Consumption:

Sugar consumption in MY 2010/11 is estimated 4.25 million tons, 3.6 percent higher than the previous year's estimate of 4.1 MMT. MY 2011/12 sugar consumption is forecast at 4.3 MMT, a marginal increase over the current year's estimates. Pakistan's population growth rate is outstripping increased consumption resulting in continued pressure on prices.

Limited sugar supplies and the steady increase in prices during 2010/11 negatively affected household sugar consumption. While total consumption of sugar consumption is increasing, it is growing at a slower rate than Pakistan's population growth rate of 2.5%. Consequently, per capita consumption of sugar is on the decline in Pakistan. Bulk consumers such as bakeries, makers of candy and local sweets, and soft drink manufacturers account for about 60 percent of the total sugar demand.

Sugar prices have been on the rise since December 2009 and reached a record level in November 2010. Calendar year 2010 proved to be a tough year for consumers as average prices reached as high as Rs. 70.80 per Kg (\$825 per MT). A primary cause of the bullish trend in prices was the poor timing of imports, which many perceive as a deliberate effort on the part of special interests to drive up the price of sugar and extract exorbitant rents. Sugar imports are controlled by the government. Prices during 2011 are projected to remain stable due to enhanced sugar production coupled with an anticipated easing of international sugar prices. Market prices are expected to hover around Rs.68 per Kg (\$791 per MT) during the balance of the year, provided timely imports are channeled to bridge the gap. The future stability of retail prices will also depend on prevailing prices in the international market.

Table: Monthly Average Retail Prices of Sugar (Rs. per Kg)

YEAR/MONTH	2007	2008	2009	2010	2011
JANUARY	31.55	26.06	39.38	66.44	72.57
FEBRUARY	30.83	25.73	42.63	68.55	67.02
MARCH	30.63	25.44	43.83	64.87	68.14
APRIL	30.25	25.18	44.96	62.14	-
MAY	29.85	28.45	45.45	61.28	-
JUNE	28.38	29.75	45.65	63.27	-
JULY	29.20	31.68	46.96	66.68	-
AUGUST	30.17	32.70	52.16	72.26	-
SEPTEMBER	29.85	33.44	48.97	80.43	-
OCTOBER	29.36	37.61	45.75	81.91	-
NOVEMBER	28.75	37.72	45.75	87.98	-
DECEMBER	26.89	35.59	58.50	73.78	-
AVERAGE	29.64 \$0.49	30.80 \$0.38	46.66 \$0.57	70.80 \$0.82	69.24 \$0.80
	USD1=Rs.61	USD1=Rs.80	USD1=Rs.82	USD1=Rs.86	USD1=Rs.86

Trade:

For MY 2011/12 sugar imports are forecast at 600,000 MT and MY 2010/11 sugar imports are estimated at 250,000 MT. Pakistan actually subjects imports raw sugar to a 25 percent import duty, whereas, imports of refined sugar are allowed to enter duty free.

Stocks:

Sugar stocks at the end of MY 2010/11 are estimated at 680,000 MT which are on the lower side as compared with earlier years. Ending stocks in MY 2011/12 are forecast at 730,000 MT based on projected supply-demand scenarios and trade expectations.

Production, Supply and Demand Data Statistics:

Sugar, Centrifugal Pakistan	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	550	550	730	830	0	680
Beet Sugar Production	20	20	20	20	0	20
Cane Sugar Production	3,400	3,400	3,250	3,900	0	3,800
Total Sugar Production	3,420	3,420	3,270	3,920	0	3,820
Raw Imports	0	0	750	100	0	200
Refined Imp.(Raw Val)	1,030	1,030	450	150	0	400
Total Imports	1,030	1,030	1,200	250	0	600
Total Supply	5,000	5,000	5,200	5,000	0	5,100
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	70	70	70	70	0	70
Total Exports	70	70	70	70	0	70
Human Dom. Consumption	4,200	4,100	4,280	4,250	0	4,300
Other Disappearance	0	0	0	0	0	0
Total Use	4,200	4,100	4,280	4,250	0	4,300
Ending Stocks	730	830	850	680	0	730
Total Distribution	5,000	5,000	5,200	5,000	0	5,100
TS=TD	0	0	0	0	0	0